LEGAL BRIEFS: BI-WEEKLY LEGAL UPDATES

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Synergia Legal is bringing to you a fortnightly compilation of digestible summaries of key legal developments and case laws impacting the business, commercial and economic landscape in India:

CORPORATE LAWS

1. **The Ministry of Corporate Affairs notified the Companies (Indian Accounting Standards) Amendment Rules, 2026 (August 12, 2026):**

   The Ministry of Corporate Affairs notified the Companies (Indian Accounting Standards) Amendment Rules, 2026, on August 12, 2026, with effect from the date of their publication in the Official Gazette, to amend the Companies (Indian Accounting Standards) Rules, 2015, in consultation with the National Financial Reporting Authority. The Rules amend Ind AS 101, Ind AS 107, Ind AS 109, Ind AS 110 and Ind AS 7, with the principal amendments generally applicable to annual reporting periods commencing on or after April 1, 2026. The amendments clarify the classification, measurement, recognition and derecognition of financial instruments, including the treatment of financial liabilities settled through electronic payment systems, trade receivables, financial assets containing contingent features linked to matters such as carbon-emission targets, non-recourse financial assets and contractually linked instruments. They also introduce specific accounting, hedge-accounting and disclosure requirements for contracts referencing nature-dependent electricity, including electricity generated from sources dependent on uncontrollable natural conditions, and require disclosures concerning contractual exposure, future cash flows, unused electricity and related financial effects. Further, the Rules expand disclosures relating to investments measured at fair value through other comprehensive income and contractual terms that may alter cash flows; clarify the treatment of hedging relationships upon transition to Ind AS; refine the assessment of de facto agency relationships for determining control under Ind AS 110; and clarify that cash-flow reporting for investments in associates, joint ventures or subsidiaries accounted for at cost is restricted to cash flows between the investor and the investee. The Rules also prescribe transitional arrangements, including limited relief from restating prior-period and comparative information in specified cases.

   (The Companies (Indian Accounting Standards) Amendment Rules, 2026 issued by the MCA is accessible here.)

SECURITIES LAWS

2. **The Securities and Exchange Board of India issued a consultation paper on Review of SEBI (Settlement Proceedings) Regulations, 2018 (August 14, 2026):**

The SEBI released the Consultation Paper on Review of the SEBI (Settlement Proceedings) Regulations, 2018, on August 14, 2026, proposing a revised settlement framework through the draft SEBI (Settlement of Proceedings) Regulations, 2026, to simplify the settlement process, reduce litigation and rationalise settlement amounts while preserving regulatory deterrence. The draft introduces a simplified formula linking the settlement amount to the statutory minimum penalty, category of applicant, stage of proceedings, prior regulatory action, gravity of the default and applicable aggravating and mitigating factors; SEBI estimates that the revised methodology could reduce settlement amounts in comparable cases from approximately eight times to four times the penalty ultimately imposed. The proposals would extend the period for filing an application following a show-cause notice from 60 to 90 days, introduce pre-show-cause settlement notices where prosecution is not proposed, establish a fast-track process for specified violations and settlement amounts of up to ₹10 lakh and permit fresh applications at subsequent stages in specified circumstances, subject to an additional settlement amount. The draft also proposes a structured mechanism for settling cases involving misrepresentation of financial statements or diversion or siphoning of funds, subject to appropriate disclosures, restitution of diverted funds with interest and disgorgement of unlawful gains. Public comments on the proposed framework were invited until September 4, 2026.

(The consultation paper on Review of SEBI (Settlement Proceedings) Regulations, 2018 issued by the SEBI is accessible here.)

3. **The SEBI issued a consultation paper on the mandatory adaption of a Credit Risk-o-Meter as an additional disclosure mechanism for debt securities (August 13, 2026):**

The SEBI released the Consultation Paper on the Mandatory Adoption of a Credit Risk-o-Meter as an Additional Disclosure Mechanism for Debt Securities on August 13, 2026, proposing a standardised, colour-coded visual tool to enable investors, particularly retail investors, to understand and compare the credit risk associated with debt securities. The proposed framework would apply to all issuances of non-convertible securities, commercial papers, securitised debt instruments, security receipts and structured or market-linked debentures, whether issued publicly or through private placement, and would require issuers and online bond platform providers ("**OBPPs**") to display the Credit Risk-o-Meter in offer documents, abridged prospectuses, private placement memoranda, advertisements and OBPP web and mobile platforms. The tool would map credit ratings from AAA to D across six colour-coded categories ranging from "lowest credit risk" to "high to very high risk of default." Issuers and OBPPs would also be required to disclose the relevant credit rating agency, the actual rating and, where multiple ratings exist, determine the meter based on the lowest rating while displaying all ratings. Unsecured instruments must be identified in bold red text, while prescribed disclaimers must clarify that the meter reflects only credit risk and does not capture market, liquidity or, in the case of unsecured perpetual bonds such as AT1 bonds, structural and capital-loss risks. OBPPs would additionally be required to implement automated updates within 24 hours of receiving a rating-change intimation, prohibit manual overrides and maintain audit trails. The proposed circular would become applicable 30 days after its issuance, and public comments were invited until September 3, 2026**.**

(The consultation paper on the mandatory adaption of a Credit Risk-o-Meter as an additional disclosure mechanism for debt securities issued by the SEBI is accessible here.)

4. **The SEBI issued a consultation paper on Review of the Accredited Investor Framework (August 13, 2026):**

The SEBI released a consultation paper on the review of the Accredited Investor ("AI") Framework on August 13, 2026, proposing measures to broaden eligibility, simplify accreditation and facilitate greater participation in products offered by Alternative Investment Funds, Specialised Investment Funds, Portfolio Management Services and Angel Funds. The proposals introduce securities-market assets as an additional eligibility criterion, alongside the existing income and net-worth criteria, with thresholds of ₹5 crore for individuals and ₹20 crore for body corporates; SEBI estimates that this could expand the pool of eligible accredited investors to approximately four lakh. The paper also proposes an optional manager-led accreditation route under which investment managers may assess accreditation as part of investor onboarding, with accreditation remaining valid for three years for products offered by the same manager or group across relevant investment vehicles, subject to prescribed verification, record-retention, audit and accountability safeguards. The existing Accreditation Agency route would continue in parallel. SEBI further proposes extending deemed accredited-investor status to all persons resident outside India under FEMA, including NRIs, OCIs and foreign portfolio investors, thereby enabling them to access eligible investment products without separately satisfying the applicable minimum investment thresholds. The consultation paper also seeks views on recognising LLPs through a look-through approach and wholly owned subsidiaries based on the eligibility of their partners or parent companies, respectively. Public comments on the proposals were invited until September 3, 2026.

(The consultation paper on Review of the Accredited Investor Framework issued by the SEBI is accessible here.)

OTHER LAWS

5. **The Insolvency and Bankruptcy Board of India issued a discussion paper on Guidance to Insolvency Professionals for Due Diligence to Identify Fraudulent or Malicious Initiation**

of Corporate Insolvency Resolution Process, and Recourse under Section 60(5) and 65 of the Insolvency and Bankruptcy Code, 2016 (August 14, 2026):

The Insolvency and Bankruptcy Board of India ("**IBBI**") released a discussion paper on August 14, 2026, proposing guidance for insolvency professionals ("**IPs**") to identify fraudulent or malicious initiation of the Corporate Insolvency Resolution Process ("**CIRP**") and seek appropriate recourse under Sections 60(5) and 65 of the Insolvency and Bankruptcy Code, 2016. The proposed guidance responds to concerns that CIRP may be misused to settle debts outside ordinary recovery processes, mitigate tax or statutory liabilities, avoid regulatory investigations or penalties, close or merge companies without adequate scrutiny or monetise and ring-fence assets. It clarifies that IPs have a non-delegable duty to examine potential misuse by reviewing the corporate debtor's books, records, finances, operations and Committee of Creditors proceedings. Illustrative warning indicators include negligible operations or assets, unexplained related-party loans or write-offs, qualified audit observations, links to regulatory or enforcement proceedings, assignment of debt shortly before CIRP to a creditor that subsequently dominates the Committee of Creditors, connected corporate debtors entering CIRP within a proximate period, inability to verify assets, limited competition in the resolution process and recoveries grossly disproportionate to admitted claims. Upon identifying such circumstances, the IP must undertake a detailed review and form a considered opinion; where fraudulent or malicious initiation is established, the draft circular requires the IP to approach the Adjudicating Authority under Section 60(5) read with Section 65 for appropriate directions and penalties, in addition to initiating any necessary proceedings concerning preferential, undervalued, extortionate or fraudulent transactions. The proposed circular would apply immediately to all ongoing and future assignments of interim resolution professionals and resolution professionals. Stakeholder comments were invited until August 24, 2026.

(The discussion paper on Guidance to Insolvency Professionals for Due Diligence to Identify Fraudulent or Malicious Initiation of Corporate Insolvency Resolution Process, and Recourse under Section 60(5) and 65 of the Insolvency and Bankruptcy Code, 2016 issued by the IBBI is accessible here.)

6. **Recalibrating "Industry": Supreme Court Refines the Bangalore Water Supply Triple Test (August 20, 2026):**

In *State of Uttar Pradesh v. Jai Bir Singh*, a nine-judge Constitution Bench of the Supreme Court, by a 5:4 majority, refined the "triple test" formulated in *Bangalore Water Supply and Sewerage Board v. A. Rajappa* for determining whether an undertaking constitutes an "industry" under Section 2(j) of the Industrial Disputes Act, 1947. The Court held that an activity would prima facie constitute an industry where it is systematic, organised through employer-employee cooperation and involves the production, distribution or provision of goods or services possessing a discernible commercial character analogous to trade or business and calculated to satisfy material human wants. While the absence of a profit motive remains irrelevant, the existence of an employer-employee relationship cannot, by itself, determine whether an activity is industrial; the nature and character of the activity must also be considered. Accordingly, professions, clubs, educational institutions, cooperatives, research bodies and charitable organisations are neither automatically included nor excluded and must satisfy the reformulated test. Governmental and welfare activities must similarly be assessed by reference to their substantive character, without presuming that all State activities are industries merely because they are organised and involve employees. The Court retained the dominant-nature and severability principles applicable to undertakings performing composite or sovereign functions. However, the reformulation was expressly characterised as prospective and will not affect concluded or pending proceedings under the Industrial Disputes Act, which will continue to be determined under the original *Bangalore Water Supply* test. The Court also clarified that the judgment does not interpret the definition of "industry" under the Industrial Relations Code, 2020, which must be construed independently.

(State of Uttar Pradesh v. Jai Bir Singh, 2026 INSC 897; Civil Appeal No. 897 of 2002.)

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